

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)
FEED INSPECTION ADVISORY BOARD MEETING
Sacramento, California
November 15, 2005

MINUTES

MEMBERS

Thomas Geary
Fred Frost
Thomas Prokop
Jon Tollenaar
John Walth
Michael Koewler
Rob Gilbert
Kurt Hertlein

CDFA

Asif Maan
Nate Dechoretz
Kent Kitade
Mike Davidson
Dale Rice
Agyeman Danquah

INTERESTED PARTIES

Rich Matteis, California
Grain & Feed Association

ITEM 1: CALL TO ORDER

The meeting was called to order at 1:00 p.m.

ITEM 2: INTRODUCTIONS AND ANNOUNCEMENTS

Chairman Tom Geary welcomed everyone to the meeting. Self-introductions were then made. A quorum was established at 1:05 p.m. Board member Paul Parreira was not present at the meeting.

ITEM 3: FEED AND SAFE PROGRAM BUDGET REVIEW

Chairman Tom Geary stated the purpose of this special FIAB meeting was to review the budget as presented to the Board at the October 20, 2005 meeting. Chairman Geary noted that, based on the October 20, 2005 budget projections, the Board subsequently voted to increase the tonnage tax to \$0.15 per ton, effective October 1, 2005. Chairman Geary requested staff to explain to the Board the differences between the approved FY 2005/06 budget of June 7, 2005, and the budget (spending authority budget) that was distributed by Branch Chief Asif Maan on October 20, 2005.

Branch Chief Asif Maan reported that the FY 2005/06 budget analysis and fund condition presented to the Board on June 7, 2005, are no longer accurate. The data to generate the FY 2005/06 budget was based on personnel expenditures, pro rata, and departmental indirect costs that were available at a point in time. Consequently, Branch Chief Asif Maan stated the proposed fund condition projections were not valid.

Branch Chief Asif Maan stated that since the last board meeting on October 20, 2005, the Feed, Fertilizer, and Livestock Drugs Regulatory Services Branch (FFLDRS) had reviewed the Feed and Livestock Drugs Inspection Program (Feed) and the Safe Animal Feed Education Program (SAFE) budgets. A cover letter and financial reports (Attachments 1, 2, and 3) were provided to the board members for their review prior to the meeting, giving a brief analysis of the Feed and SAFE revised budgets and fund condition. In the review process, the CDFA budget office was consulted for clarification on line items, personnel services, and operating expenses. Consequently, FFLDRS was able to identify apparent discrepancies between the projected expenditures for both programs. As a result, Branch Chief Asif Maan reported that the FY 2005/06 budgets for both Feed and SAFE programs have been revised. Branch Chief Asif Maan presented to the Board handout "Attachment 1," which showed the breakdown of personnel salaries and wages by the program for FY 2005/06. Also distributed to the Board were handouts, "Attachment 2," a detailed analysis of the revised actual combined projected budgets (Feed & SAFE) as \$2,351,456 for FY 2005/06; and "Attachment 3," which showed the revised fund condition and projected reserves for FY 2005/06. In addition to the attachments provided to the Board, Branch Chief Asif Maan reported that FDA reimbursements for FY 2005/06 for BSE and tissue residue investigations have increased to \$141,253, and would help reduce program costs.

Discussion ensued among the board members, regarding the specifics of the revised Feed and SAFE budget proposals. Branch Chief Asif Maan and Director Nate Dechortez explained in detail the changes in personnel services expenses, pro rata, indirect charges within the Department, as well as the Department's policy of maintaining a minimum of three months operational reserve.

MOTION: A motion was made by Tom Prokop to rescind the FIAB recommendation of October 20, 2005, to increase the tonnage tax to \$0.15 per ton, effective October 1, 2005. Rob Gilbert seconded. The motion was passed unanimously.

MOTION: A motion was made by Rob Gilbert to approve the revised combined Feed and SAFE budgets of \$2,351,456, before reimbursements. Kurt Hertlein seconded. The motion was passed unanimously.

MOTION: A motion was made by Mike Koewler to increase the tonnage tax to \$0.14 per ton, effective January 1, 2006. Jon Tollenaar seconded. The motion was passed unanimously.

Nate Dechoretz recommended a board member be assigned to work with the program staff on all budget development issues.

Tom Prokop requested the Board to appoint a member to act as a budget liaison between the Department and the FIAB. Tom Prokop also noted that in the past, an FIAB member participated in the FFLDRS budgetary process. Discussion ensued and there was agreement among staff and board members for creation of such a position.

MOTION: A motion was made by John Walth to create an FIAB budget liaison delegate and appoint Paul Parreira. Tom Prokop seconded. The motion was passed unanimously.

Tom Prokop inquired as to the status of a proposed audit letter to be sent out to all licensees. Michael Davidson presented to the Board an informational fact sheet(s) pertaining to the Commercial Feed Law and Regulations and a draft "Notice to Feed Industry" letter informing firms that the FIAB has recommended an audit be conducted for feed tonnage reporting purposes. Branch Chief Asif Maan stated that audits would be conducted by the Department, and FFLDRS has funds budgeted for audits in FY 2005/06.

Chairman Thomas Geary presented a budget analysis based on the percentages of the total budget. Chairman Geary noted that the Center for Analytical Chemistry (CAC) is the largest expenditure of the budget, and warrants a closer look by the Board to review assay expenses, methods, and efficiency. Discussion ensued on expenses, methodology, and possible "out-sourcing" of analyses.

Rich Matteis reported to the Board that there are already statutes to adopt regulations, which includes contracting analytical services with commercial laboratories, and for additional services. Director Nate Dechortez informed the FIAB that the Division is already in the process of reorganizing and restructuring the CAC to realize efficiency and cost savings. Rich Matteis expressed the concern of the California Grain and Feed Association (CGFA) Board of Directors regarding the size of the CAC's budget, and the quality of the work. In addition, CGFA is not supporting a tonnage tax increase at this time. Rich Matteis stated that CGFA feels that the program should ensure that the manufacturers and distributors of commercial feed, including silage, are paying all applicable tonnage tax. However, Rich Matteis noted that CGFA's Board of Directors was in support of increasing the commercial feed licensing fee.

Director Nate Dechoretz said the concern regarding lab costs was a legitimate issue; however, he expressed confidence in the quality and integrity of the lab work. Director Nate Dechoretz reported that the lab is in the process of review and restructuring, and suggested that the Board may like to appoint a representative to assist in the review of feed lab costs.

MOTION: A motion was made by John Walth to appoint Tom Prokop and Rob Gilbert as FIAB liaisons/representatives to the (Commercial Feed) CAC review process. Fred Frost seconded. The motion was passed unanimously.

ITEM 4: ADDITIONAL ITEMS/NEXT MEETING

Additional items:

Items for the next board meeting:

- Chairman Thomas Geary requested the FIAB Subcommittee meet in January 2006, and review possible revenue enhancements (silage and green-chop), and report their findings at the February 9, 2006 meeting.
- The program will provide a list of analyses performed on commercial feed by the Center for Analytical Chemistry (CAC) to Chairman Geary for comparative costs of private laboratories.

The next board meeting is scheduled for February 9, 2006, at 10:00 a.m. at the California Farm Bureau Federation, 2300 River Plaza Drive, Sacramento, California.

ITEM 5: ADJOURNMENT

Meeting adjourned at 3:35 p.m.

Respectfully submitted by,

Asif A. Maan, Ph.D., Branch Chief
Feed, Fertilizer, and Livestock Drugs Regulatory Services
Inspection Services

Date

AAM/dr